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United Nations Conference on Trade and Development

TRADE AND DEVELOPMENT BOARD
Committee on Commodities
Second Session
Second Sessional Sub-Committee
Geneva, 9 May 1967
Agenda Item 5

PROGRAMME FOR THE LIBERALIZATION AND EXPANSION OF TRADE IN COMMODITIES OF INTEREST TO DEVELOPING COUNTRIES

Draft report of the Second Sessional Sub-Committee

The Sub-Committee, established by the Committee at its 24th meeting to consider and report on item 5 of its agenda, held .... meetings from 12 to .... May 1967. At its first meeting it elected Mr. H. Brillantes (Philippines) as its Chairman and Mr. F. Ponti (Italy) as its Vice-Chairman and Rapporteur. At its .... meeting on .... May, the Sub-Committee considered and adopted the report on its discussions on item 5 which is reproduced below and which is submitted to the Committee.

1. The Sub-Committee had before it four main documents: Programme for the liberalization and expansion of trade in commodities of interest to developing countries (TD/B/C.1/32); Promotion of trade in primary commodities (TD/B/C.1/34); Promotional measures - outline of FAO programmes (TD/B/C.1/33), and Examination of measures for the expansion of commodity trade among developing countries (TD/B/C.1/27 and Corr. 1).

2. In introducing document TD/B/C.1/32, the representative of the Secretary-General of UNCTAD stated that the secretariat had taken the view that the wording of the relevant agenda item called for proposals for action. Accordingly, in the document the secretariat had tentatively suggested for discussion a possible approach to the problem of improving access to commodity markets. For this purpose, a distinction was drawn between, on the one hand, protected commodities (such as sugar, meats, cereals, fats and oils, citrus fruits, tobacco), and, on the other hand, commodities which were not protected but were subject to revenue charges (such as beverage crops and spices).

3. In respect of commodities of which domestic production in developed importing areas was sheltered, the basic approach suggested by the Secretariat was one under which importing developed countries would undertake to import specified percentages of their total consumption, the ratio varying from one commodity to another and from one importing country to another. Regarding commodities which were not protected but which were subject to revenue charges, it was suggested in the document that, as an alternative to the removal of revenue charges, developed importing countries might consider acceptance of the principle of refunding to developing countries (or to external suppliers generally) such amounts as would represent the estimated damage done to the trade of the supplying countries by the revenue charges in question.

4. Many representatives who participated in the discussion stressed the need for further action, wherever possible, to reduce and to eliminate tariff and non-tariff barriers to trade in primary commodities of interest to developing countries, especially in view of the heavy dependence of the developing countries on exports of primary commodities for their foreign exchange earnings. The important contribution which such measures could make to meeting the trade needs of developing countries was widely acknowledged.

5. It was also generally recognized that the reduction of trade barriers alone might be inadequate to solve the foreign exchange problems facing developing countries. Consequently it was considered that the reduction of trade barriers should be taken in conjunction where appropriate, with other measures, such as commodity agreements,

buffer stock schemes, the negotiation of realistic export quotas, the establishment of adequate floor and ceiling prices for the commodities in question, and other concerted measures designed to promote the economic growth of the developing countries.

6. Representatives of some developed countries expressed the view that any attempt to prescribe overall principles for trade liberalization and the broadening of markets would be of limited use. On the other hand, representatives of developing countries felt that the formulation and acceptance of such principles would prove valuable, provided the peculiarities of each commodity market were taken into account. The view was also expressed that trade liberalization should be effected by stages. One delegation suggested that a time-table for trade liberalization might be negotiated at the second conference in the light of UNCTAD recommendation A.II.1.

7. In stressing the need for agreement on programmes of immediate operational value, representatives of developing countries expressed serious concern at the failure of many countries to implement the recommendations of the first Conference. Whilst acknowledging some positive liberalization measures taken by a few developed countries, they considered that these were very limited in scope. In this connexion, several representatives referred to the GATT Ministerial meeting of May 1963 and deplored the lack of progress in giving effect to the conclusions and resolutions then adopted relating to the standstill provision, the elimination of quantitative restrictions, the duty free entry for tropical products by the end of 1963, the reduction and elimination of tariffs on primary commodities and processed products originating in developing countries and the progressive reduction of internal fiscal charges and revenue duties on products mainly produced in developing countries. The delegation of one country, member of the European Economic Community, recalled that EEC Ministers had entered a reservation regarding the GATT Programme of Action.

8. Representatives of several developing countries also expressed their concern about the repercussions on their exports of regional integration schemes adopted by developed market economies, particularly in the field of agriculture. Some of the latter countries drew attention to the substantial increases in their imports of primary commodities from developing countries in recent years.

9. The representatives of several developing countries also suggested that the Kennedy Round of trade negotiations had resolved itself primarily into an exchange of concessions among the industrialized countries. Though the Kennedy Round had had as one of its major objectives the removal of barriers to the trade of developing countries, they felt that their interests had been taken only marginally into account.

10. Attention was also drawn by representatives of some developing countries to "concealed" trade barriers: phyto-sanitary measures, and changing commodity specifications were mentioned in this connexion. In addition, representatives of developing countries deplored the practice of tariff escalation whereby commodities which had undergone even relatively insignificant forms of processing or mere packaging were heavily taxed when imported by some industrialized countries. The protective effect of such duties, it was pointed out, could become prohibitive in relation to the value added by the processing industries. With regard to existing preferential arrangements between certain developed and developing countries, the representatives of developing countries agreed on the general principle of a non-discriminatory preferential system for manufactures and semi-manufactured products, as advocated in recommendation A.I.1. They stated that, whilst existing preferences, in particular for commodities, could be explained on historical grounds, their elimination would call for the provision of equivalent advantages to the present beneficiaries. The delegation of one developing country also stressed that the reciprocal preferences granted by certain developing countries to imports from developed countries should also be eliminated in order to facilitate the expansion and diversification of trade of developing countries.

11. Commenting on the question of what substantive measures should be adopted with regard to commodities protected in developed countries and exported by developing countries, representatives of several developing countries stressed the need to negotiate specific access commitments. Such access commitments, in the view of representatives of several developed market economies might possibly be envisaged within the context of specific commodity agreements. Representatives of several developing countries favoured the acceptance of the general principles of market access, the consolidiation of self-sufficiency ratios, standstill on margins of support, and purchase commitments. Since the problem was essentially how to reconcile legitimate interests of domestic primary producers with the equally legitimate aspirations of external suppliers, and since governments would not be likely to abandon support measures to their farmers, these representatives considered that the solution had to be found in measures relating to the limitation of the degree of protection rather than the complete abolition of protective systems.

12. Representatives of some developed countries stated that the negotiation of such commitments would involve difficulties. In their view, such commitments could best be reached within the framework of specific commodity arrangements. By way of illustration, it was suggested by one delegation that a commodity agreement on sugar might contain provisions relating to (i) the nature of the access commitments to be given by importing countries; (ii) the application of floor and ceiling prices; (iii) the establishment of export quotas for individual producing countries consistent with prospective market requirements; and (iv) provisions to take into account the special needs of developing countries.

13. It was stressed by representatives of some developing countries that, by reserving for imports from developing countries assured shares of domestic consumption, preferably at higher levels than at present, and by granting for such imports increased shares in the prospective growth of consumption, developed market economy countries would facilitate the planning of economic development in the less developed parts of the world. It was also pointed out that socialist countries of Eastern Europe could ensure greater access to their rapidly growing markets by granting corresponding undertakings regarding access, and by making provision for increased imports in their national economic plans and for multilateral and bilateral consultations with developing countries on this matter.

14. Whilst representatives of developed countries appreciated the importance which developing countries attached to assurances regarding market access they emphasized that the offering of such assurances was fraught with many difficulties. Representatives of several delegations stated that, particularly as regards agricultural products, changes in domestic support measures and external protection should aim at improving the present situation rather than at a sweeping programme of abolition of support measures. It was further stated that a shift away from price supports to a more selective income support policy would not necessarily lead to a reduction in output, particularly where price support systems were operated in conjunction with production and acreage controls.

15. Turning to the question of what substantive measures the Committee should propose with regard to commodities that were subject to revenue charges, the representatives of the developing countries endorsed the suggestion made in document TD/B/C.1/32 that, as an alternative to the removal of revenue charges,

developed importing countries might refund to developing countries that part of the proceeds which equalled the latter's estimated trade loss resulting from the imposition of revenue duties and fiscal charges. The representatives of several developed market economies doubted whether the partial refund proposal as suggested by the secretariat, would be found politically practicable, and they referred also to the difficulty of measuring the refundable trade loss.

16. Representatives of developing countries proposed that some kind of standing inter-governmental consultative machinery to deal with the liberalization of trade in primary commodities should be established within UNCTAD in order to help translate the widespread wish for progress in this matter into practical measures. In making the proposal, various representatives of developing countries referred to considerations such as the need for dealing intensively with such a complex question at a detailed practical level, on a commodity-by-commodity and/or country-by-country basis where appropriate. Reference was also made to the appropriateness of the UNCTAD framework for this purpose because of its broad membership, its special interest in the trade needs of developing countries and its experience in the related field of commodity arrangements.

17. The representatives of developed market economy countries doubted that such additional machinery was warranted. In the view of most of those representatives, the Committee on Trade and Development of GATT and the UNCTAD Committee on Commodities already provided adequate machinery for this purpose and because various study groups and commodity councils dealt with individual commodities. Those representatives considered that, although the results achieved by these bodies might be disappointing, the reason had not been lack of adequate consultative machinery.

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Corrigendum

At the end of paragraph 9 add:

"The representative of one developing country suggested that the results of the Kennedy Round and their effects on the primary commodity exports of developing countries should be evaluated in the documentation to be prepared by the secretariat for the second Conference."

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Addendum

Trade promotion

1. In introducing document TD/B/C.1/34, the representative of the Secretary-General of UNCTAD stated that the secretariat was already giving, on request, advice on trade promotion, particularly in connexion with technical assistance projects primarily concerned with non-agricultural commodities. In its document, the secretariat had examined the activities of other inter-governmental bodies in the field of trade promotion, and stressed the desirability of avoiding duplication of effort. The secretariat had also suggested, as a starting point, the convening, in conjunction with FAO, of a small group of experts in trade promotion in primary products. It was proposed to hold this meeting in time for its report to be available for consideration by the second Conference.

2. All delegations who participated in the discussion stressed the importance they attached to trade promotion as a means of expanding the commodity export earnings of developing countries.

3. Representatives of developed market economy countries drew attention to the efforts being undertaken both through existing international organizations and bilaterally by individual developed countries to assist developing countries in this field. While they were willing to continue these efforts, they felt that the main responsibility in this field must lie with the developing countries themselves. In this connexion they stressed particularly the importance of quality control, grading and adaptation of products to the requirements of consumers.

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4. Representatives of some developing countries mentio
had taken measures to promote their commodity exports, but
assistance was required. Those representatives also stated t
their promotion efforts to be fully effective, marketing outlet
countries should be simultaneously increased through measures to im
5. In discussion of the UNCTAD secretariat's future role in the field
promotion in primary commodities, representatives of developed market econo
countries emphasized that, since a great deal of useful work in this area was al
being carried out by other organizations such as the GATT International Trade Centre
UNDP, UNIDO, FAO and some other bodies, including private associations, and since
resources were limited, the desirability of avoiding duplication of work should be
kept well in mind. By way of illustration, representatives of many developed market
economy countries expressed some doubt whether a case existed for establishing an
UNCTAD Market Advisory Service, as GATT was already doing valuable work in this
field. They nevertheless felt that UNCTAD would have a useful role to play once a
careful appreciation had been made of what gaps existed in the activities of other
organizations and how best these could be filled.
6. It was felt by representatives of many developing countries that the UNCTAD
secretariat should have an important role to play in the field of trade promotion,
and that UNCTAD was the appropriate body for the co-ordination of activities in this
field. For example, it was felt that the establishment of an UNCTAD market advisory
service would be valuable. It was suggested by those countries that any work under-
taken in this field might best be related to individual commodities or groups of
homogeneous commodities. They also suggested that the secretariat should carry out
studies of promotion aspects of commodities facing adverse trends due to technological
changes - for example, rubber - and that it might also examine seemingly irrational
discrepancies between f.o.b. and retail prices. Representatives of developing
countries also felt that institutional barriers to the commodity exports of develop-
ing countries, which at times were more detrimental than other barriers, should
receive due attention.

...ort for the secretariat's proposal to convene an expert ...tion of commodity exports from developing countries, ...of one developed market economy considered that such a ...be at inter-governmental level. It was agreed that the expert ...e convened in co-operation with FAO and work with the collaboration ... interested organizations and study groups should examine systematically ...g done in the field of trade promotion in primary commodities, and seek to ... any gaps in those activities as a basis for future consideration of this matter ...NCTAD. It was felt by the representative of one developed market economy country ...at the work of the expert group should not be tied, as suggested, to recommendations ...n the Final Act of UNCTAD.

Expansion of commodity trade among developing countries

8. In introducing document TD/B/C.1/27, the representative of the Secretary-General of UNCTAD stated that the study was designed to supplement more general studies which had been made by expert groups of the general question of expansion of trade among developing countries, by focussing attention on some of the basic problems relating to, and possible avenues for, expansion of commodity trade per se.

9. It was generally considered that the objective of an expansion of commodity trade among developing countries was an important one, and that, although such trade at present represented a small part of the overall trade of those countries as a group, there was considerable potential for expansion in the longer term, given appropriate action by all parties concerned.

10. Representatives of several developed market economy countries thought this subject deserved considerable stress. They considered that in the medium and long-term, the expansion of trade among developing countries would be a particularly profitable avenue for the general economic development of those countries. Those representatives therefore hoped that considerable progress could be made during the second Conference once a full discussion of the problem in all its aspects had taken place at the fifth session of the Trade and Development Board.

11. Representatives of developing countries stated that co... being made by their countries in this field, and some suggest... the possible direction of further efforts - for example, bilate... co-ordinated efforts to promote industrial growth, trade promotion, ... those representatives considered that co-ordinated complementary measu... by developed countries to lend support to further actions on the part of t... countries. Some developing countries suggested that such measures might inclu... elimination of reciprocal concessions granted by certain developing to developed c... the promotion of consumption of imported primary commodities, and the provision of improved access for the exports of developing countries to the markets of developed countries. It was also stated by representatives of some developing countries that an improvement in the conditions of their countries' trade with the developed countries would make a far greater contribution to meeting their trade and development needs than could any presently feasible increase in trade among developing countries themselves.

Expansion of commodity exports from developing to socialist countries of Eastern Europe

12. Representatives of several developing and developed market economy countries referred to the need for the socialist countries of eastern Europe to take all possible measures to improve access and marketing opportunities in their countries for the commodity exports of developing countries. It was stated that steps to promote consumption and the provision for developing countries of assured minimum participation in the growing markets of the socialist countries of eastern Europe for appropriate major commodities would be helpful in this connexion.

13. The representative of one socialist country of eastern Europe referred to the absence of quantitative restrictions or customs duties on such imports and to the increases in commodity imports from developing countries which had occurred in recent years in the context of trade and economic co-operation agreements. That country was willing to enlarge the number and scope of bilateral agreements and to examine all possibilities of supplementing them by the introduction of arrangements for some form of multilateral payments. It was also stated that the elimination of discriminatory treatment affecting the exports of socialist countries to developing countries would increase the capacity of socialist countries to import from developing countries.